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**AMERICAN EXPRESS COMPANY and**  
**AMERICAN EXPRESS TRAVEL**  
**RELATED SERVICES COMPANY, INC**

**UNITED STATES DISTRICT COURT**

**FOR THE NORTHERN DISTRICT OF CALIFORNIA (SAN FRANCISCO)**

PRIVASYS, INC.,

Plaintiff,

v.

AMERICAN EXPRESS  
COMPANY and AMERICAN  
EXPRESS TRAVEL RELATED  
SERVICES COMPANY, INC.,

Defendants

Case No. C-08-01072 SI

**JOINT CASE MANAGEMENT  
STATEMENT AND PROPOSED  
ORDER**

Plaintiff PrivaSys, Inc. (“PrivaSys”) and defendants American Express Company and  
American Express Travel Related Services Company, Inc. (collectively “American Express”)

1 hereby respectfully submit this Joint Case Management Statement in connection with the  
2 case management conference in this matter scheduled for July 11, 2008.

3 **1. JURISDICTION AND SERVICE**

4 The parties agree that the Court has subject matter jurisdiction over this action. All  
5 current parties have been served. There are no issues regarding personal jurisdiction or  
6 venue.

7 **2. STATEMENT OF FACTS**

8 **A. A BRIEF DESCRIPTION OF THE FACTS**

9 This is a patent infringement case. Plaintiff PrivaSys, in its complaint, alleges  
10 infringement of United States Patent Number 7,195,154. American Express has filed an  
11 answer denying PrivaSys' allegations and a counterclaim for declaratory judgment of non-  
12 infringement, invalidity and unenforceability.

13 PrivaSys in its complaint alleges that American Express has infringed and is presently  
14 infringing the patent-in-suit through its contactless credit and debit payment cards and  
15 electronic devices, including American Express ExpressPay cards. The complaint alleges  
16 both that American Express directly infringes and that it has induced others to make, use or  
17 sell the system.

18 American Express alleges that the patent-in-suit is invalid, that it is not infringed by  
19 American Express either directly or indirectly, and that it is unenforceable due to inequitable  
20 conduct.

21 **B. THE PRINCIPAL FACTUAL ISSUES WHICH THE PARTIES DISPUTE**

- 22 a. Whether any defendant has infringed, and continues to infringe, the patent-in-  
23 suit, directly or by inducement;  
24 b. Whether any such alleged infringement is willful;  
25 c. Whether the patent-in-suit is invalid;  
26 d. Whether the patent is unenforceable for inequitable conduct;  
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1 e. The amount of PrivaSys' damages for any infringement of any valid and  
2 enforceable claim;

3 f. Whether PrivaSys is barred from recovering any past damages based on  
4 prosecution laches;

5 **3. LEGAL ISSUES**

6 The disputed points of law are anticipated to be:

7 a. The proper construction of the claims of the patent-in-suit;

8 b. Whether there has been any infringement of the claims of the patent-in-suit as  
9 construed by the Court;

10 c. Whether the asserted claims are invalid or unenforceable for failure to comply  
11 with one or more of 35 U.S.C. §101, §102, §103, §112 or the rules and regulations of the  
12 U.S. Patent Office;

13 d. Whether any party is entitled to attorneys' fees and costs pursuant to 35  
14 U.S.C. §285;

15 e. Whether PrivaSys is entitled to treble damages pursuant to 35 U.S.C. §284;  
16 and

17 f. Whether PrivaSys is entitled to a permanent injunction pursuant to 35 U.S.C.  
18 § 283.

19 The parties reserve the right to raise additional factual or legal issues that may arise  
20 through the course of this action.

21 **4. MOTIONS**

22 The parties anticipate claim construction briefing under the Patent Local Rules and,  
23 depending on the Court's constructions, various summary judgment motions.

24 **5. EVIDENCE PRESERVATION**

25 In previous litigation involving the same technology, PrivaSys imposed a litigation  
26 hold on documents related to this action, collected those documents and produced them to  
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1 the other party. Copies of those documents are maintained in the office of counsel. In  
2 addition, other relevant parties, including PrivaSys' patent prosecution counsel, have been  
3 directed to preserve their files.

4 American Express has imposed a litigation hold on documents and electronically  
5 stored information reasonably related to this action, which includes active steps to prevent  
6 erasure of e-mails and other electronically-recorded material.

7 **6. DISCLOSURES**

8 The parties will exchange their initial disclosures before close of business on July 3,  
9 2008.

10 **7. DISCOVERY:**

11 At this time, the parties propose altering the discovery limits imposed by the Federal  
12 Rules of Civil Procedure and the Local Rules as follows:

13 (a) Plaintiff PrivaSys may notice and take no more than ten (10) depositions lasting a  
14 total of no more than seventy (70) hours;

15 (b) Defendant American Express may notice and take no more than ten (10)  
16 depositions lasting a total of no more than seventy (70) hours;

17 (c) Plaintiff PrivaSys may propound no more than twenty-five (25) interrogatories;

18 (d) Defendant American Express may propound no more than twenty-five (25)  
19 interrogatories;

20 (e) A testifying expert shall not be subject to discovery on any draft of any report in  
21 this case that was written by the testifying expert or his or her staff. Communications with  
22 experts are subject to discovery.

23 The Proposed Docket Control Deadlines, below, in Section 19(D) contains a  
24 proposed schedule for discovery.

25 **8. CLASS ACTIONS**

26 Not applicable.  
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1     **9.     RELATED CASES**

2           No related cases are pending before other Judges of this Court.

3     **10.   RELIEF**

4           Plaintiffs' Request: PrivaSys seeks damages, injunctive relief, a declaration that the  
5 patent-in-suit is enforceable and that American Express has willfully infringed, enhanced  
6 damages under 35 U.S.C. §284, and costs and attorney's fees including those awardable  
7 under 35 U.S.C. §285. PrivaSys expects that its damage computations will be based upon an  
8 adequate compensation for the infringement of U.S. Patent No. 7,195,154, including  
9 damages and a reasonable royalty on the manufacturing, distribution, and sales of infringing  
10 products (hardware and software) including ExpressPay payment devices and services (as  
11 well as infringing uses of those products and services) including processing of ExpressPay  
12 transactions, enhanced damages for willful infringement, and attorneys' fees and costs  
13 associated with conducting this suit. PrivaSys expects that the reasonable royalty will also  
14 include a royalty on the conveyed sales generated by the infringing products and services,  
15 such as ExpressPay payment devices and processing of ExpressPay transactions, offered or  
16 performed by American Express and member banks.

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19           Defendants' Request: Defendants seek a denial of all of PrivaSys' requested relief.  
20 Defendants further seek a declaration that Defendants have not infringed any valid claim of  
21 the '154 patent, that the '154 patent is invalid, and that the '154 patent is unenforceable.  
22 Defendants further seek costs and attorneys' fees arising from PrivaSys' claims of  
23 infringement pursuant to 35 U.S.C. § 285. These costs and fees will be ascertainable  
24 following judgment in this case. Defendants lastly seek an injunction barring PrivaSys from  
25 asserting this patent against American Express or any other entity involved in American  
26 Express contactless payments.  
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1 **11. SETTLEMENT AND ADR**

2 The parties have held settlement discussions, both prior to and following the filing of  
3 the complaint.

4 The parties believe that referral to mediation may be productive as the litigation  
5 progresses and would suggest the use of a JAMS mediator (to be selected by the parties).

6 **12. CONSENT TO MAGISTRATE JUDGE FOR ALL PURPOSES**

7 The parties declined the appointment of a Magistrate Judge for all purposes.

8 **13. OTHER REFERENCES**

9 Not applicable.

10 **14. NARROWING OF ISSUES**

11 The parties believe that it is premature to narrow the issues for trial other than to  
12 make the identifications required by the Patent Local Rules. The parties believe that they  
13 may be able to narrow the issues for trial after the Court issues its claim construction rulings.

14 **15. EXPEDITED SCHEDULE**

15 The parties do not presently believe that this is the type of case that can be handled on  
16 an expedited schedule.

17 **16. SCHEDULING**

18 The Proposed Docket Control Deadlines, Section 19(D) below, proposes a schedule  
19 through a case management conference after claims construction.

20 **17. TRIAL**

21 The trial will be a jury trial, and the parties preliminarily anticipate that the trial will  
22 be 5-10 court days.

23 **18. DISCLOSURE OF NON-PARTY INTERESTED ENTITIES OR PERSONS**

24 PrivaSys filed its Certification of Interested Entities or Persons on February 26, 2008.

25 American Express filed its Certification of Interested Entities or Persons on June 18,  
26 2008.

1 **19. OTHER MATTERS**

2 **A. PROTECTIVE ORDER**

3 The parties are discussing a stipulated protective order.

4 **B. CLAIM CONSTRUCTION HEARING**

5 The Patent Local Rules require the parties to meet and confer about the manner in  
6 which the claim construction hearing will proceed. The parties have discussed the matters  
7 specified in the Patent Local Rules and believe that a determination of the manner in which  
8 the hearing will proceed, other than the proposed scheduling as set forth below, is premature.

9 **C. JURY DEMAND**

10 PrivaSys and American Express both demand a trial by jury.

11 **D. PROPOSED DOCKET CONTROL DEADLINES**

12 The parties have agreed to follow the Northern District's Patent Local Rules in their  
13 general outline, with departures to accommodate the nature of this action and to reduce the  
14 need for hearings before this Court.

15 The parties have reached agreement on the discovery and pretrial schedule as follows.  
16 The parties' suggested schedule is:  
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<b>PARTY</b>	<b>DEADLINE DESCRIPTION</b>	<b>DATE</b>
All	Joint Case Management Statement and Proposed Order	July 3, 2008
All	FRCP 26, Initial Disclosures	July 3, 2008
PrivaSys	Preliminary Infringement Contentions on '154 patent	July 21, 2008
PrivaSys	Production of Documents supporting Preliminary Infringement Contentions	July 21, 2008
American Express	Preliminary Invalidity Contentions (on '154 patent)	September 4, 2008
American Express	Production of Documents supporting Preliminary Invalidity Contentions	September 4, 2008
All	Exchange of Disputed Terms and Claim Elements for Construction	September 15, 2008
All	Exchange of Preliminary Claim Constructions	October 6, 2008
All	Exchange Extrinsic Evidence and Witness Summaries	October 6, 2008
All	Joint Claim Construction and Pre-hearing Statement	November 3, 2008
All	Deadline to Complete Claim Construction Discovery	December 18, 2008
PrivaSys	Opening Markman Brief	January 16, 2009
American Express	Responsive Markman Brief	February 13, 2009
PrivaSys	Reply Brief	February 27, 2009
All	Claim Construction Hearing (Subject to the Court's Convenience)	March 20, 2009
All	Status Conference with the Court re scheduling further proceedings	At Court's earliest convenience after the Markman Order



Plaintiff and Defendants specifically reserve their right to request that the schedule be amended due to changes occurring in the course of the case, such as amendments to the pleadings, additions of parties, or other good cause, in accordance with Fed. R. Civ. P. 16(b).

Dated: July 3, 2008

Respectfully submitted,

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 AMERICAN EXPRESS TRAVEL  
 RELATED SERVICES COMPANY, INC

I hereby attest that concurrence in the filing of this document has been obtained for all signatures indicated by a “conformed” signature (/s/) within this e-filed document.

Date: July 3, 2008

/s/ Spencer Hosie  
 Spencer Hosie  
 Attorneys for Plaintiff, PRIVASYS, INC.

**CASE MANAGEMENT ORDER**

The Case Management Statement and Proposed Order is hereby adopted by the Court as the Case Management Order for the case and the parties are ordered to comply with this order.

Dated: \_\_\_\_\_

\_\_\_\_\_  
THE HONORABLE SUSAN ILLSTON  
UNITED STATES DISTRICT JUDGE